

ORIGINAL

OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE, THE POSTAL REGULATORY COMMISSION

In the Matter of:)

STATION AND BRANCH)
OPTIMIZATION AND)
CONSOLIDATION INITIATIVE,)
2009)

Docket No. N2009-1

VOLUME 1

POSTAL REGULATORY
COMMISSION
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POSTAL REGULATORY COMMISSION

In the Matter of:)	
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STATION AND BRANCH)	
OPTIMIZATION AND)	Docket No. N2009-1
CONSOLIDATION INITIATIVE,)	
2009)	

Room 200
 Postal Regulatory Commission
 901 New York Avenue, N.W.
 Washington, D.C.

Volume 1
 Thursday, July 30, 2009

The above-entitled matter came on for hearing
 pursuant to notice, at 9:30 a.m.

BEFORE:

HON. DAN G. BLAIR, CHAIRMAN
 HON. Nanci E. LANGLEY, VICE-CHAIRMAN
 HON. MARK ACTON, COMMISSIONER
 HON. RUTH Y. GOLDWAY, COMMISSIONER
 HON. TONY L. HAMMOND, COMMISSIONER

APPEARANCES:

On behalf of the United States Postal Service:

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On behalf of the Intervenor, Alliance for Nonprofit Mailers:

(No Appearance.)

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APPEARANCES: (cont'd.)

On behalf of Intervenor, American Postal Workers Union,
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On behalf of the Intervenor, Association for Postal
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(No Appearance.)

On behalf of the Intervenor, Douglas Carlson:

(No Appearance.)

On behalf of the Intervenor, Direct Marketing
Association:

(No Appearance.)

On behalf of the Intervenor, Greeting Card Association:

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On behalf of the Intervenor, Mail Order Association of
America:

(No Appearance.)

On behalf of the Intervenor, National Association of
Postmasters of the United States:

CORA MARTIN

APPEARANCES: (Cont'd.)

On behalf of the Intervenors, National League of
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On behalf of the Intervenor, National Newspaper
Association:

(No Appearance.)

On behalf of the Intervenor, National Postal Policy
Council:

(No Appearance.)

On behalf of the Intervenor, Parcel Shippers Association:

(No Appearance.)

On behalf of the Intervenor, Pitney Bowes, Inc.:

(No Appearance.)

On behalf of the Intervenor, David Popkin:

(No Appearance.)

On behalf of the Office of the Consumer Advocate:

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APPEARANCES: (Cont'd.)

On behalf of the Intervenors, Valpak Dealers Association,
Valpak Direct Marketing Services and Association of
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P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN BLAIR: Good morning. The hearing will come to order. Today's prehearing conference in Docket No. N2009-1 concerns the Postal Service's Station and Branch Optimization and Consolidation Initiative, 2009.

For the record, I am Dan Blair, Chairman of the Postal Regulatory Commission. Joining me on the dais this morning are Postal Regulatory Commissioners Acton, Goldway, Hammond and Langley. I will serve as the presiding officer in this case.

I just want to remind everyone in the audience today that the prehearing conference is being webcast, and in an effort to reduce potential confusion I ask that counsel wait to be recognized before speaking and please identify yourself when commenting. After you are recognized, please speak clearly so that our ceiling microphones may pick up your remarks.

I would just caution everyone that those ceiling microphones can be sensitive at times, so your conversations may be webcast without your intention and everyone else hear those comments.

Getting to the case, on July 2, 2009, the

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1 United States Postal Service filed a request with the
2 Postal Regulatory Commission asking for a
3 determination whether a plan or realign of the postal
4 retailer network by consolidating the operations of
5 some stations and branches into nearby facilities
6 constitutes a change in the nature of postal services
7 within the meaning of 39 United States Code § 3661(c).

8 The Postal Service describes the plan as the
9 Postal Service Station and Branch Optimization and
10 Consolidation Initiative. If the Commission
11 determines that the initiative will likely generate
12 changes in the nature of postal services on a
13 nationwide or substantially nationwide basis, the
14 Postal Service then requests that the Commission issue
15 an advisory opinion under § 3661(c) which concurs with
16 the Postal Service's position that such service
17 changes will conform to the policies that are
18 reflected in Title 38 of the United States Code.

19 At this time I would like to turn to my
20 colleagues and give them an opportunity to welcome
21 counsel and provide any opening remarks. At this
22 point I would like to yield to the Vice Chairman of
23 the Commission, Nanci Langley.

24 VICE CHAIRMAN LANGLEY: Thank you, Mr.
25 Chairman, and good morning, everyone.

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1 Reviewing two-thirds of the nation's nearly
2 4,800 postal stations and branches for possible
3 consolidation is a major undertaking with important
4 implications for the Postal Service and for all of its
5 stakeholders, particularly customers and employees.

6 In particular, as we balance the competing
7 concerns raised during these proceedings, we must be
8 mindful that those communities and postal employees
9 may be impacted by the closure of a local facility.
10 For communities that have been hard hit by the
11 recession, those with high unemployment rates or
12 facing relocation, downsizing or loss of other
13 businesses, the elimination of a branch or station
14 could have further economic impact on those
15 communities.

16 Likewise, the lack of a postal facility in a
17 more vibrant economic area may affect the ability to
18 attract new homeowners or create jobs or even sustain
19 small businesses.

20 The most effective and credible way to guard
21 against the potential fragmentation of postal service
22 and access is through an open process that guarantees
23 public participation, and it the Commission's
24 responsibility to ensure that the process employed by
25 the Postal Service provides a thorough transparent

1 review that promotes vigorous public input, and it is
2 through our open, public, on-the-record docket that
3 the Commission will set in motion a framework that
4 hopefully will lead to good decisions.

5 Thank you, Mr. Chairman.

6 CHAIRMAN BLAIR: Thank you, Commissioner
7 Langley.

8 Now I turn to Commissioner Acton for some
9 remarks.

10 COMMISSIONER ACTON: Thank you, Mr.
11 Chairman. I have nothing to add.

12 CHAIRMAN BLAIR: Thank you. Commissioner
13 Goldway?

14 COMMISSIONER GOLDWAY: Good morning,
15 everyone. We are meeting today at approximately the
16 same time that Congressman Lynch is meeting to review
17 the financial status of the Postal Service, two days
18 after the Senate had its oversight hearing and on a
19 day when there are lead stories in all of the
20 newspapers about the financial problems of the Postal
21 Service.

22 We are in difficult times here, and the
23 Postal Service has presented to us a rather dramatic
24 proposal for reducing the network of postal offices
25 around the country.

1 I think in spite of the concerns that we all
2 have about the finances of the Postal Service, we must
3 review this proposal with all the detail and care and
4 attention that is necessary because the implications,
5 as Commissioner Langley indicated, in a decision to
6 reduce this network are great not only for the Postal
7 Service, but for the communities and the people who
8 are involved with it in many ways.

9 Further, the Regulatory Commission acts as
10 an advisor in this review, and I am hopeful that the
11 Postal Service will use this process to gain advice
12 from us and to learn from us and from the other
13 participants about what might be possible and what
14 ought to happen rather than to come to us simply in a
15 proforma way and sit tight and then go ahead with
16 whatever it is they hope to do anyway.

17 It is important that the issues that are
18 raised here are considered carefully by all parties
19 and that we come together with some notion about what
20 we want the future of a retail network to be.

21 Keep in mind that in the surveys that we did
22 in reviewing the USO and in the most recent surveys
23 done by the Gallup Poll, people in the United States
24 value their post office more than any other aspect of
25 the Postal Service, so we are engaged in reviewing an

1 aspect of the Postal Service that is of highest
2 priority to the citizens in the country.

3 I am hopeful that everyone here will
4 participate, participate fully and answer questions
5 that are asked as quickly as possible so that we can
6 make a decision and assist in making the Postal
7 Service efficient in the future. Thanks.

8 CHAIRMAN BLAIR: Thank you, Commissioner
9 Goldway.

10 Commissioner Hammond, would you like to
11 offer some opening remarks?

12 COMMISSIONER HAMMOND: Thank you, Mr.
13 Chairman. As my colleagues have stated, this is a
14 very important issue to work through for both the
15 Postal Service and all of the stakeholders that could
16 be affected.

17 I am glad to see the interest that has been
18 shown in this proceeding. The more participation that
19 we have the better information we're going to get, and
20 that will help us a great deal in our opinion, so I
21 just want to thank all the participants for becoming
22 involved.

23 CHAIRMAN BLAIR: Thank you, Commissioner
24 Hammond.

25 We will proceed. We will be eliciting views

1 today from counsel regarding establishment of a
2 procedural schedule, including the length of the
3 discovery and the need for a hearing.

4 At this point I'd like to ask counsel to
5 identify themselves for the record. United States
6 Postal Service?

7 MR. HOLLIES: Mr. Chairman, I am Ken Hollies
8 on behalf of the Postal Service. I am not here in my
9 full capacity, although it appears that way.

10 My co-counsel, Michael Tidwell and Sheila
11 Portonovo, are not here today. Mr. Tidwell is at that
12 hearing Commissioner Goldway referenced, and Ms.
13 Portonovo seemed to think that her pending marriage on
14 Saturday was more important than this, so they will be
15 participating in other cases.

16 CHAIRMAN BLAIR: Thank you very much, Mr.
17 Hollies.

18 And now to the Intervenors. The Alliance of
19 Nonprofit Mailers?

20 (No response.)

21 CHAIRMAN BLAIR: The American Postal Workers
22 Union?

23 MR. ANDERSON: Darryl Anderson for the
24 American Postal Workers Union.

25 CHAIRMAN BLAIR: Thank you, Mr. Anderson.

1 Association for Postal Commerce?

2 (No response.)

3 CHAIRMAN BLAIR: Douglas Carlson?

4 (No response.)

5 CHAIRMAN BLAIR: The Direct Marketing
6 Association?

7 (No response.)

8 CHAIRMAN BLAIR: The Greeting Card
9 Association?

10 MR. STOVER: David Stover on behalf of the
11 Greeting Card Association.

12 CHAIRMAN BLAIR: Thank you, Mr. Stover.

13 The Mail Order Association of America?

14 (No response.)

15 CHAIRMAN BLAIR: The National Association of
16 Postmasters of the United States?

17 MS. MARTIN: Cora Martin here for the
18 National Association of Postmasters.

19 CHAIRMAN BLAIR: Thank you, Ms. Martin.

20 National League of Postmasters?

21 MR. PRINCIPE: Mario Principe.

22 CHAIRMAN BLAIR: Thank you, Mr. Principe.

23 MR. PRINCIPE: Sir, I also represent the
24 Association of United States Postal Lessors.

25 CHAIRMAN BLAIR: Thank you for that.

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1 National Newspaper Association?

2 (No response.)

3 CHAIRMAN BLAIR: National Postal Policy
4 Council?

5 (No response.)

6 CHAIRMAN BLAIR: Parcel Shippers
7 Association?

8 (No response.)

9 CHAIRMAN BLAIR: Pitney Bowes, Inc.?

10 (No response.)

11 CHAIRMAN BLAIR: David Popkin?

12 (No response.)

13 CHAIRMAN BLAIR: Public representative?

14 MR. SIDMAN: Good morning, Mr. Chairman.

15 Robert Sidman on behalf of the public representative.

16 CHAIRMAN BLAIR: Good morning, Mr. Sidman.

17 Thank you.

18 Valpak Dealers Association?

19 MR. OLSON: Mr. Chairman, William Olson for
20 Valpak Direct Marketing Services and Valpak Dealers
21 Association, and while I'm standing we'll be filing a
22 notice of late intervention for the Association of
23 Priority Mail Users.

24 CHAIRMAN BLAIR: We'll note that for the
25 record. Thank you.

1 Have I missed anyone in the audience?

2 (No response.)

3 CHAIRMAN BLAIR: If not, thank you for
4 identifying yourselves and your organizations.

5 In Order No. 244, the Commission established
6 this docket, noticed the proceeding in the *Federal*
7 *Register*, established dates for intervention, as well
8 as this prehearing conference and designated a public
9 representative. It also requested an intervening
10 party indicate a need for a formal hearing upon
11 intervention and to come prepared to the prehearing
12 conference with proposals for an initial discovery
13 period.

14 Turning first to the issue of discovery, as
15 provided in the Commission's Rules of Practice,
16 participants may begin discovery upon intervention.
17 Several sets of discovery requests have been submitted
18 to the Postal Service, and the Postal Service has
19 begun filing responses.

20 I would like the Intervenors here today to
21 address what specific discovery is needed and to
22 provide an estimate of how much additional time should
23 be allotted towards discovery. Does any Intervenor
24 want to start that discussion?

25 (No response.)

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1 CHAIRMAN BLAIR: Mr. Sidman?

2 MR. SIDMAN: I will start that discussion.

3 The public representative has two primary areas of
4 concern here. The first is trying to get the
5 information about the details that the Postal Service
6 is sending to its district managers who are in charge
7 of implementing this program, how that process was
8 undertaken and how it was communicated to them.

9 The second area of concern is the public
10 participation process here, how the public's views are
11 taken into account by the Postal Service and
12 considered in making its decisions.

13 We've issued one round of discovery requests
14 on those questions, and we'll be issuing another round
15 shortly. How much time is going to depend on how
16 responsive the Postal Service is to those requests.
17 I'm hopeful that they will be responsive and this will
18 be wrapped up shortly.

19 In that first round that I was discussing
20 trying to get the documents sent from Postal Service
21 headquarters to the district and how the district is
22 supposed to implement that plan, I would have expected
23 to get several hundred documents by now, and I haven't
24 received that many.

25 I'm not sure if that's because they don't

1 exist or because my questions weren't specific enough,
2 but we're going to try to clear that up in the second
3 round.

4 CHAIRMAN BLAIR: Mr. Hollies, do you want to
5 respond? Do you have anything for the record?

6 MR. HOLLIES: We recognize the public
7 representative's interest, and we are looking forward
8 to being as responsive as we can.

9 There aren't a lot of documents in the area
10 he's focused upon, but we will certainly provide
11 everything that we have relied upon. That will not be
12 a problem.

13 CHAIRMAN BLAIR: Mr. Anderson?

14 MR. ANDERSON: On behalf of the American
15 Postal Workers Union, Mr. Chairman, first of all thank
16 you very much for recognizing me, Commissioners.
17 Thank you for providing us this opportunity.

18 I'd like to associate the American Postal
19 Workers Union with the public representative's
20 observations about his concerns about the discovery
21 process and what we would have expected to have
22 happened thus far, but which may not have, may not be
23 happening, which is the discovery of the documents
24 that should exist.

25 I'd like to say with the Commissioners'

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1 indulgence that all this is a time of urgent financial
2 need for the Postal Service, that there's a real risk
3 here and that the Commission has to be concerned that
4 precipitous action by the Postal Service in closing
5 these stations and branches could either compromise
6 important services for the community, as Commissioners
7 Langley and Goldway have observed, in cases of real
8 need, and it might also compromise the infrastructure
9 of the Postal Service in ways that might have profound
10 consequences for the institution of the Postal Service
11 itself.

12 I'd like to add a third point to that, which
13 is that the Commission has an opportunity here, which
14 we think the Postal Service by all appearances is not
15 taking, to take a deep breath and make sure that what
16 is done here is in the long run in the institutional
17 interest of the Postal Service and of the public of
18 course.

19 With that in mind, I'll come to the point,
20 and I appreciate the Chairman's indulgence. We think
21 that the discovery process needs to be a thorough one.
22 We anticipate the need for two rounds of discovery so
23 that we can follow up on answers that are provided.

24 The Postal Service attempts to, as any
25 institution would -- I'm not condemning them, but

1 think it's natural that they want to do what they want
2 to do, and they often want to do that without being
3 second guessed by the Intervenors in these
4 proceedings. We think we should be given that
5 opportunity to second guess them, and that's going to
6 require two rounds of interrogatories to follow up and
7 possibly -- in fact in all likelihood -- oral cross-
8 examination.

9 Possibly also on the subject of service to
10 the community and perhaps the issue of lost
11 opportunities for the Postal Service, the American
12 Postal Workers Union would like to have an opportunity
13 to put on a direct case. We're not asking for that at
14 this moment, but we hope that the Commission will
15 build into its schedule the possibility that
16 Intervenors, one or more Intervenors, will wish to
17 present a direct case to bring to the Commission
18 evidence of how this process is unfolding.

19 In that regard, I'd like to observe that the
20 documents that we've seen thus far that are being used
21 by the Postal Service seem to have been designed 30
22 years ago or so, so therefore, for example, with
23 regard to access to alternative certain means of
24 obtaining postal services, access to internet and
25 other alternatives, those documents were designed and

1 the process that's being used was designed before
2 those alternative means of access. They were
3 nonexistent.

4 And so if you need to distinguish between
5 communities as to their availability to those
6 communities or the need of those communities to have
7 access to those means, it seems to us that the process
8 that's being used here is not designed for that and
9 that the Commission has an opportunity to provide real
10 assistance to the Postal Service in making that
11 process more sophisticated and better designed for the
12 needs of today's communities, as opposed to the
13 communities of 30 years ago, which of course were
14 dramatically different.

15 So we think that's really the public service
16 that this Commission was charged with performing and
17 we think it's well equipped to perform and that this
18 process, if it's permitted to unfold in an orderly
19 manner and it provides several rounds of inquiry, will
20 lead to a conclusion that will be in the interest of
21 the Postal Service and to the public.

22 CHAIRMAN BLAIR: Thank you, Mr. Anderson.

23 Mr. Hollies, did you want to have an
24 opportunity to reply to anything that Mr. Anderson
25 said at this point?

1 MR. HOLLIES: I will share that with respect
2 to his last point about alternative access channels
3 not being featured in the documents, I think that's a
4 correct characterization and is something that we have
5 also been working on ourselves.

6 That is a channel that has originated, as he
7 surmises, largely after the creation of the process
8 that we're working with, but it is very critical today
9 and I believe there's discovery pending on that or
10 maybe a POIR on that very question.

11 We look forward to this case as an
12 opportunity to get the input from the Commission. We
13 certainly have our own ideas about how we go about
14 things, and we're cognizant of the need to engage in
15 this process, and we hope that there are productive
16 results from it.

17 We think that is likely, and we look forward
18 to them well, as soon as possible, but we know that
19 must be tempered with a necessity for sufficient
20 process, that the Commission gain enough input to
21 arrive at conclusions that are helpful, so there's a
22 dual tension there.

23 Thank you.

24 CHAIRMAN BLAIR: Mr. Anderson, do you have
25 an estimate for how long two rounds of discovery would

1 take in this case?

2 MR. ANDERSON: We took a look. There is not
3 a lot of experience in these matters. We took a look
4 at the timeline in N2006-1, and it appeared to us that
5 there was six months.

6 The second revised deadline for discovery on
7 the Postal Service direct case was about six months
8 after the first request for recommended decision, so I
9 think probably that kind of time horizon is what we
10 should be looking at here as well.

11 CHAIRMAN BLAIR: Can you repeat that again
12 for me? You said six months?

13 MR. ANDERSON: Yes. In N2006-1, the request
14 for recommended decision was filed in mid February of
15 2006, and the second deadline for discovery on the
16 Postal Service direct case was exactly six months
17 later, August 14, 2006, so it looks to us like a six
18 month time horizon should give us enough time for two
19 rounds of discovery on the Postal Service direct case.

20 Thereafter the Intervenorors were required to
21 file any case they wished to file within two weeks
22 after the close of discovery on the Postal Service
23 case and then there was a round of discovery as to the
24 Intervenorors' case and then hearings were held
25 approximately two months after the close of discovery

1 on the Postal Service case, so that was eight months
2 after the initial filing, almost eight months after
3 the initial filing. So we think that that looks like
4 the kind of time horizon that's necessary.

5 I really meant to add as well that the
6 Commission should seriously consider the possibility
7 of field hearings by the Commission. People can
8 certainly come to Washington and many things can be
9 brought here, but the Commissioners may wish to have
10 one or more hearings in the field for the purpose of
11 seeing firsthand and hearing from individuals who may
12 not have the wherewithal and the representation to be
13 present here in Washington.

14 CHAIRMAN BLAIR: Thank you, Mr. Anderson.
15 Regarding field hearings, I'll be bringing up that
16 topic towards the close of today's prehearing
17 conference.

18 MR. ANDERSON: Thank you, Mr. Chairman.

19 CHAIRMAN BLAIR: Mr. Hollies, Mr. Anderson
20 just said six months. I don't know if you want to
21 reply in writing or if you have any thoughts you want
22 to share at this point or any other Intervenors want
23 to share at this point.

24 MR. HOLLIES: That is certainly a lot longer
25 than the Postal Service had expected. We are looking

1 for input perhaps a little sooner than that might
2 imply.

3 I also think that the previous N docket case
4 is perhaps not a very good example to look at in terms
5 of setting a schedule. Both the gentlemen, the public
6 representative and Mr. Anderson, have indicated that
7 they have approximately two rounds of discovery that
8 they anticipate.

9 I guess my first thought as what a round
10 constitutes is well, answers are due in 14 days. We
11 certainly endeavor to meet those deadlines to the
12 extent possible and so that would imply perhaps a
13 month rather than six months, but ultimately we do
14 recognize that the Commission does need to allow some
15 room for public input.

16 We could also follow up in writing if you
17 would like. The details of that last N docket are
18 much more familiar to our lead counsel, Mr. Tidwell,
19 and so I would prefer to rely upon his expertise if
20 the Commission wants that input.

21 CHAIRMAN BLAIR: I would just encourage any
22 intervenors to have the opportunity to voice their
23 thoughts on length of time, as well as subject matter,
24 for discovery.

25 Commissioner Goldway?

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1 COMMISSIONER GOLDWAY: Yes. Mr. Hollies,
2 you admitted that there may not be adequate
3 information about how one measures access to the
4 internet and the alternative ways in which postal
5 customers can access services and that you're working
6 on that.

7 Now, will that delay your ability to respond
8 to interrogatories? In your response to us I think
9 you were thinking of the normal procedures, but if you
10 yourself indicated that there are pieces of
11 information that the Postal Service needs to gather,
12 will that add to the time that you need to respond to
13 interrogatories?

14 MR. HOLLIES: I think that's unlikely. My
15 admission was that the forms used and the process used
16 were designed before there was much in the way of
17 alternate access, and we are ourselves discussing that
18 fact and how, if at all, it can be brought in.

19 In some sense one can look at a large
20 metropolitan area and the network of facilities
21 through which the postal services are provided and
22 deal with those in and of themselves. Because those
23 facilities are not the vehicle through which alternate
24 access is provided, it's not a direct focus of what
25 the initiative is about.

1 The fact that alternate access is not in the
2 forms means that it won't be featured necessarily in
3 the studies, but I don't think that is a serious flaw.
4 So what I'm trying to indicate is just to acknowledge
5 the truth of what Mr. Anderson was observing and
6 noting that this has come to our own attention and
7 that we are thinking about it.

8 No, I don't think that issue is delaying any
9 responses, although if we get a question directly on
10 that point we would certainly have to think about it a
11 bit more.

12 COMMISSIONER GOLDWAY: Well, this may not be
13 the time to debate whether that information should be
14 included in your review, but I think many think that
15 information is quite relevant and that's why questions
16 have already been asked, so I hope that that
17 information can be provided quickly.

18 MR. HOLLIES: I haven't seen any discovery
19 that is especially problematic with one possible
20 exception, and we will be responding in good time to
21 most of those.

22 CHAIRMAN BLAIR: Thank you, Commissioner
23 Goldway.

24 Commission Langley?

25 VICE CHAIRMAN LANGLEY: I think you may also

1 be or Mr. Anderson may be referring to or you may be
2 responding to communications to the district and how
3 that channel of communications has changed. One of
4 the issues that we faced in the Capital One case, that
5 complaint, was that the Postal Service did not have a
6 system of accessing emails because it was a somewhat
7 new process.

8 Have you been working on that so that it is
9 much easier to locate and to let's say filter out
10 those that may not be relevant to the particular
11 matter?

12 MR. HOLLIES: This case is actually easier
13 than some in that respect because the communications
14 are flowing to and from just a couple of people at
15 headquarters and we can therefore access that email
16 traffic by basically focusing on those custodians, so
17 it's not really a problem in this case.

18 VICE CHAIRMAN LANGLEY: So we shouldn't
19 expect delays because of that?

20 MR. HOLLIES: That's correct.

21 VICE CHAIRMAN LANGLEY: Thank you.

22 CHAIRMAN BLAIR: Thank you, Commissioner
23 Langley.

24 I want to recognize Mr. Olson from Valpak.

25 MR. OLSON: Thank you, Mr. Chairman. I want

1 to just give the Commission the additional information
2 that Valpak is planning to file at least one round of
3 discovery in the case.

4 I find myself somewhere between Mr. Anderson
5 and Mr. Hollies because we've had cases just even
6 recently in the docket Commissioner Langley was
7 referring to, the CapOne case, where we had a many
8 month delay in responding to discovery with the Postal
9 Service, many months of delay, not 14 days, and so I
10 think to a great degree the timeline is in the Postal
11 Service's control. If they actually do meet the 14
12 day deadlines then things ought to move along.

13 I'm not prepared to speak to the subject
14 matter yet because we're late in getting into the case
15 in that way, but it is an on-the-record hearing. I
16 think APWU's concerns need to be protected and the
17 opportunity for a hearing provided.

18 But on the other hand we do believe that
19 there's harm not only in precipitous action, but harm
20 in delay if the Postal Service is unable to implement
21 cost savings that are necessary to keep the company
22 doing well. So in any event sort of a middle-of-the-
23 road position, but that's where we are.

24 CHAIRMAN BLAIR: Thank you, Mr. Olson.

25 Does any other participant have any comments

1 on the subject of discovery before we move on?

2 Yes, sir? Mr. Principe? Please identify
3 yourself for the record.

4 MR. PRINCIPE: Mario Principe. I represent
5 the National League of Postmasters and the Association
6 of the United States Postal Lessors.

7 Our organization, the Lessor organization,
8 has about 3,200 members, and they lease to the Postal
9 Service approximately 40 percent of all the leased
10 buildings. They are nationwide. They have large post
11 offices, small, carrier annexes, mail processing
12 operations and many small, rural post offices.

13 Our particular concern is the lack of
14 communication with the Lessor organization and the
15 National League of Postmasters. For example, in mid
16 June we requested a list from all the districts. We
17 wrote a letter to each district requesting the names
18 of the post offices that would be considered for
19 closings or consolidation.

20 A couple of days later, our president
21 received a phone call from postal headquarters saying
22 that it would be considered as a Freedom of
23 Information request. To this date, we have not
24 received any information whatsoever.

25 On the documents submitted to the PRC from

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1 the Postal Service there appears to be something
2 really lacking, and that's the activities that are
3 conducted behind the window. It's called everything
4 in retail services. However, in the back of the post
5 office they house carrier operations and probably
6 other activities. Unless I missed something, I didn't
7 see that in the Postal Service documents.

8 The other things I'd like to consider is
9 that I want to mention and put on the record that the
10 possibility of overly zealous postal managers using
11 selective enforcement of terms or rules in order to
12 justify closing or consolidating a facility in order
13 to comply with demands to cut costs.

14 Closing or consolidating a facility because
15 of building deficiencies or needed repairs without the
16 lessor being advised and given reasonable opportunity
17 to take corrective action.

18 Providing lessors with all documentation
19 used to justify the closing or consolidation before
20 the event occurs. The lessor should be given
21 reasonable time to review and comment on the
22 documentation, including comments and concerns of
23 customers, and submit their comments to the Postal
24 Service for consideration before the Postal Service
25 actually discontinues the facility.

1 When the Postal Service evaluates a
2 facility, the criteria used to justify its actions
3 should include the potential revenue that will be lost
4 -- post office box fees, parcels, loss of customers,
5 money orders, overnight, proof of delivery, return
6 receipts and other specialty services. We assume
7 customers who regularly use USPS packaging services
8 will switch to other package delivery companies as a
9 result of closing or consolidation. The loss will
10 likely be permanent.

11 The potential impact of lost revenue on
12 neighboring businesses due to the huge drop in walk-in
13 traffic when a post office is closed.

14 And in the decision making process,
15 customers' concerns need to be taken into account. A
16 significant number of lower revenue producing offices
17 are located in impoverished sections of the city.
18 Many such residents are elderly. They do not drive.
19 They don't have checking accounts, and they use postal
20 money orders to pay their bills. Closing their post
21 office would be a major hardship to residents.

22 In summary, also we would like to see in the
23 cost justification the carrier activities that are
24 located in the back. When they centralize, move the
25 carriers and put them in another location, the

1 additional travel time taken by the routes. Some may
2 be shorter, some will be longer, but we'd like to make
3 sure that's included in the justification.

4 And also the wait time at the windows of the
5 neighboring post offices that customers of a proposed
6 closing or consolidation would have to go to. We
7 think that should be factored into their
8 justification.

9 CHAIRMAN BLAIR: Thank you, Mr. Principe.

10 Mr. Hollies, do you have a comment?

11 MR. HOLLIES: Yes, just one point. The
12 Postal Service will be filing later today a list of
13 approximately I think it's 677 offices that decisions
14 have been made to go forward with discontinuance
15 studies on.

16 I believe that list is also being shared on
17 the Hill today, and I believe we've provided responses
18 indicating our trouble in arriving at a list and the
19 fact that it's volatile, so we will be updating that
20 list with regularity as well.

21 COMMISSIONER GOLDWAY: So you will be adding
22 to that list over time?

23 MR. HOLLIES: Well, if history is any guide
24 there's still a possibility to subtract from it as
25 well, but mostly, yes, it would be additions. Thank

1 you.

2 CHAIRMAN BLAIR: I want to thank the
3 participants for their comments, and we'll move on to
4 the need for a hearing.

5 At this point no Intervenor has requested a
6 formal hearing in your notice of intervention. Does
7 any Intervenor present today wish to request a hearing
8 at this time?

9 (No response.)

10 CHAIRMAN BLAIR: I think it's possible that
11 the Commission may want the opportunity to directly
12 question Postal Service witnesses. Therefore, I will
13 establish tentative hearings so that witnesses can
14 plan their personal schedules.

15 I'll also set a cutoff date for participants
16 to request oral cross-examination prior to the
17 scheduled hearing. If neither participants nor the
18 Commission want to orally question the witnesses, the
19 scheduled hearing will be canceled.

20 Regarding possible rebuttal testimony, does
21 any Intervenor anticipate filing rebuttal testimony in
22 the proceeding? If so, how soon after the hearings on
23 the Postal Service's case will you be able to file
24 such testimony?

25 MR. ANDERSON: Mr. Chairman, I anticipate

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1 the American Postal Workers Union will be filing
2 rebuttal testimony.

3 Given the need for as much haste as we can
4 make, reasonably I would anticipate being able to do
5 that I want to say 30 days after the conclusion of the
6 Postal Service case.

7 CHAIRMAN BLAIR: Any other comments on this?
8 Mr. Principe?

9 MR. PRINCIPE: Yes. Mr. Chairman, I forgot
10 one item in my previous discussion.

11 Consideration given to using the stations
12 and branches for other agencies. With the massive
13 cutback in all agencies and the critical need to save
14 dollars, chances are a lot of activities could be
15 decentralized and perhaps use postal facilities,
16 especially with the changes in health care and so
17 forth and so on.

18 I would think there would be a lot of postal
19 employees who may lose their jobs who could be used if
20 activities were combined with other federal agencies.
21 I would like that to be a consideration.

22 CHAIRMAN BLAIR: I appreciate that.

23 MR. PRINCIPE: Thank you.

24 CHAIRMAN BLAIR: You'll have the opportunity
25 to raise those points at numerous times during this

1 proceeding.

2 MR. PRINCIPE: Okay.

3 CHAIRMAN BLAIR: I think that's important
4 for you to bring forth to the Commission, so I
5 appreciate that very much.

6 MR. HOLLIES: Mr. Chairman?

7 CHAIRMAN BLAIR: Mr. Hollies?

8 MR. HOLLIES: Now that you've mentioned oral
9 cross-examination, a topic that I know at least two
10 people here in the hearing room are looking forward to
11 with the utmost glee, I neglected to introduce our two
12 witnesses who are present here today.

13 Alice Vangorder and Kimberly Matalik are
14 respectively our USPS-T-1 and T-2 witnesses, and I'm
15 sure they're looking forward to cross-examination.
16 Thank you.

17 CHAIRMAN BLAIR: I had the chance to meet
18 them this morning. It's good to put a face with the
19 testimony that was provided in your submission, so
20 thank you. We look forward to hearing from you.

21 Any other Commissioners wish to comment at
22 this time?

23 (No response.)

24 CHAIRMAN BLAIR: Then we'll proceed on a
25 separate, but related matter. Our initial order

1 mentioned that the Commission may have an interest in
2 holding public hearings outside of Washington, D.C.

3 While the Commission is working out the
4 specifics, the intent would be to hold such hearings
5 for the purpose of developing a record on the
6 attitudes and needs of postal customers that might be
7 impacted by station and branch consolidations.
8 Currently we anticipate holding such hearings in
9 September. Notice providing additional information on
10 the scope and format of these hearings will be
11 published in advance.

12 Counsel for Intervenors will be welcome at
13 any such field hearings, but the Commission recognizes
14 that travel to attend these hearings can present a
15 financial burden and we want to ensure counsel that
16 their presence is not required and that the Commission
17 will not make final determinations on procedural or
18 substantive matters likely to affect the interests of
19 formal Intervenors during the course of the field
20 hearings.

21 We appreciate everyone's cooperation in this
22 matter as we work to move the process forward. The
23 Postal Service has indicated that it will not
24 implement service changes before October 2, 2009.
25 Given this date, the Postal Service requests that the

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1 Commission expeditiously issue its advisory opinion.

2 With this in mind, I will shortly issue an
3 initial procedural schedule balancing due process
4 considerations with the need to develop a complete
5 record and issue an advisory opinion in a timely
6 fashion. Counsel should be advised that any
7 participant seeking to extend the procedural schedule
8 will be expected to provide detailed justification in
9 support of such motion.

10 Does any participant have a procedural
11 matter to raise at this time?

12 (No response.)

13 CHAIRMAN BLAIR: Does any Commissioner wish
14 to offer concluding observations or remarks?

15 COMMISSIONER GOLDWAY: I have a question
16 which relates to some degree on the concept of the
17 public hearing and a comment that the public
18 representative made in his first statement, which was
19 his concern about engaging the public, the general
20 public in these discussions.

21 Do you have comments for us and suggestions
22 on how we might reach out to the general public? Is a
23 hearing adequate, or would you have other suggestions?

24 MR. SIDMAN: My concern was more directed
25 toward how the Postal Service is having the public

1 participate in its closure discussions, whether it's
2 allowing public comment for the particular stations or
3 branches that are being closed, how it's going about
4 that process, whether it's inviting the communities to
5 participate, the local governments, whether written
6 comments are allowed, those kinds of things, and then
7 if the public is at all able to participate in this
8 overall prescreening process that I keep hearing
9 about.

10 COMMISSIONER GOLDWAY: I see. Thank you.

11 CHAIRMAN BLAIR: Any other Commissioner wish
12 to comment or offer suggestions at this time?

13 VICE CHAIRMAN LANGLEY: I have one question
14 for the Chairman, and I do appreciate your comments on
15 the need to balance due process with the Postal
16 Service's desired implementation date.

17 I would assume that any schedule that's set
18 up will be flexible enough to accommodate concerns if
19 discovery deadlines are not met?

20 CHAIRMAN BLAIR: I think that we'll have to
21 balance those as they come forward.

22 VICE CHAIRMAN LANGLEY: Thank you.

23 CHAIRMAN BLAIR: Thank you, Commissioner
24 Langley.

25 I want to thank everyone for their

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1 participation this morning. I think this is going to
2 be quite a lively case. I look forward to hearing
3 from all the Intervenors and participants, and I want
4 to appreciate your attention. We will be working
5 quite hard at that.

6 So with that, this prehearing conference is
7 adjourned. Thank you.

8 (Whereupon, at 10:12 a.m. the hearing in the
9 above-entitled matter was concluded.)

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REPORTER'S CERTIFICATE

DOCKET NO.: N2009-1
CASE TITLE: Station and Branch Optimization
HEARING DATE: July 30, 2009
LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Regulatory Commission.

Date: July 30, 2009



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